

HHS Transmittal 91.4  
Personnel Manual  
Issue Date: 1/31/91

**Material transmitted**

Instruction 430-5, Employee Performance Management System--  
Performance Awards (pages 1-7)  
Exhibit 430-5-A, Delegation of Authorities for Performance  
Awards Under the "Employee Performance Management System  
(pages A-1 and A-2)

**Material superseded**

Instruction 430-5 (pages 1-6: 87.22)  
Exhibit 430-5-A (page A-1: 87.22)

**Background**

HHS Instruction 430-5 has been revised to (1) reflect the delegation on September 6, 1990, of authorities from the Assistant Secretary for Personnel Administration to OPDIV heads with respect to performance awards for employees covered by the Employee Performance Management System and (2) make various clarifications. Because of the large number of revisions, a list of the specific changes in the order in which they occur in the Instruction is provided (see Attachment 1).

This issuance is effective immediately. However, changes in conditions of employment for bargaining unit employees must be implemented consistent with labor relations responsibilities in 5 U.S.C. Chapter 71 and provisions of negotiated agreements.

**Filing instructions**

Remove superseded material and file new material. Change Table of Contents (Instruction 002-1) for the Personnel Manual to reflect changes. Post receipt of this transmittal to the HHS Check List of Transmittals and file this transmittal in sequential order after the check list.

Thomas S. McFee  
Assistant Secretary for  
Personnel Administration

Distribution: MS(PERS) :HRFC-001

### Specific Changes

1. A statement has been placed in **section 430-5-00** to make clear that HHS Instruction 430-5 supplements, and incorporates by reference, Subpart E of 5 CFR Part 430.
2. In keeping with the recommendation in HHS Exhibit 171-1-A to include a list of pertinent references in HHS personnel instructions, **section 430-5-20**, "Authority," has been expanded to include such references. Accordingly, that section has been redesignated "Authority/References." Also, this change parallels section 540-1-20 of HHS Instruction 540-1, which concerns PMRS performance awards.
3. The second sentence of **subsection 430-5-60D** read: "An official must be designated to manage each performance award budget." The term "EPMS performance award budget manager" has been substituted for the word "official" to make clear that the "official" mentioned in the sentence quoted above and the "EPMS performance award budget manager" mentioned in both the new and recently superseded delegation memorandums are the same official. A similar change has been made in **subsection 430-5-70E**.
4. The last sentence of **subsection 430-5-60D** read: "(In accordance with Instruction 430-4-80A.11, these officials are required to approve ratings of record.)." However, paragraph 430-4-80A.11 does not require EPMS performance award budget managers to approve a rating of record for which a performance award was not proposed based upon that rating. Accordingly, in the revised Instruction 430-5, the above quoted last sentence of subsection 430-5-60D has been replaced with the following: "(Whenever a performance award under this Instruction is proposed, the EPMS performance award budget manager must give final approval to the employee's rating of record. See paragraph 430-4-80A.11.)."
5. **Subsection 430-5-70B** read: "TO be eligible to receive a performance award, an employee must be in an EPMS position on the last day of the appraisal year for which award determinations are being made." In the revised Instruction 430-5, the word "workday " has been substituted for the word "day" in the above quoted sentence. The revised rewording is in accordance with what was intended by the term "last day" as used here.
6. **Paragraph 430-5-70F.2** has been reworded to state clearly, in one place, and in dollar amounts (rather than in percentage amounts) , the Department's policy on the minimum and maximum amounts of EPMS performance awards, as follows:

The minimum performance award is \$100, and the maximum is \$25,000. A performance award that exceeds \$5,000 must have approval of the OPDIV head

(or the Public Health Service agency head when the Assistant Secretary for Health has so delegated). Performance awards in excess of \$10,000 up to \$25,000 must be approved by both the Secretary and the U.S. Office of Personnel Management (OPM) . Requests for approval of those awards (from over \$10,000 to \$25,000) must be submitted to the Secretary through the Assistant Secretary for Personnel Administration, along with a detailed written recommendation and justification for the award.

Also, to give OPDIVs maximum flexibility in this area, we have abolished the requirement formerly stated in **paragraph 430-5-70F.5** that an EPMS performance award "may not exceed 10 percent of an employee's base pay . . . ." (OPDIVs may make their own percentage limits, if they wish, as long as the limits do not conflict with the policies stated in this Instruction and Subpart E of 5 CFR Part 430.)<sup>1</sup>

7. The first sentence of superseded paragraph 430-5-70F.7 has been altered slightly for clarity and is the first sentence of revised **paragraph 430-5-70F.6**. A second new sentence has been added to revised paragraph 430-5-70F.6 to make clear that less-than-full-time employees and employees who have been promoted during the appraisal year for which the award is being granted may receive lesser performance awards (or none) , if deemed appropriate, than other employees who received performance awards at lower rating levels.
8. Revised **paragraph 430-5-70F.7** is (in slightly altered form) superseded paragraph 430-5-70F.6. The paragraph has been altered mainly to make clear that an OPDIV does not have to require all of its components with EPMS performance award budgets to issue performance awards in the same way (i.e., either as a percentage of base pay or as dollar amounts) . Instead, an OPDIV, if it chooses to do so, may allow some of its components with performance award budgets to issue performance awards as a percentage of base pay and other components to issue performance awards as dollar amounts. However, because of the possible tracking problems such diversity may cause, the following new additional sentence of warning has been added to this paragraph: "Whatever method(s) is used, OPDIVs must still assure that all requirements, including percentage limits, specified in this Instruction and 5 CFR Part 430, Subpart E, are satisfied."

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<sup>1</sup> The recently revised delegation memorandum delegates the authority to make performance awards as dollar amounts. It makes no mention of percentages. Moreover, both the recently revised and superseded delegation memoranda indicate that OPDIV heads may approve performance awards over \$5,000. (Even \$5,000 would exceed 10 percent of the base pay of most EPMS employees.) We see no need for the confusion and apparent conflict that a 10 percent limit causes and, therefore, have deleted it.

9. Revised **paragraph 430-5-70F.8** is the same as superseded paragraph 430-5-70F.8 except for an introductory clause to the first sentence. That clause clarifies that the requirement that individual performance award calculations are to be based on the employees rate of base pay is only a requirement for components that calculate their performance awards as a percentage of base pay (as opposed to dollar amounts) .
10. Revised **paragraph 430-5-70F.9** is the same as superseded 430-5-70F.9 except for a new parenthetical note about some exceptions.
11. **Paragraph 430-5-70G.4** states, in effect, that it would be appropriate to consider giving employees who had received an increase in base pay resulting from a promotion or WIGI in the preceding year a lesser performance award than other employees rated at the same level. For clarity, the parenthetical remark "(i.e., in the appraisal year for which the award is being granted)" has been added after the words "the preceding year." Additionally, the word "base" has been placed before the word "pay."
12. Consistent with the delegation of certain performance award authorities to OPDIV heads on September 6, new **subsection 430-5-80D** adds a requirement that OPDIVs shall maintain appropriate records with respect to the operation of their performance award budgets, including the amount of their yearly performance award budgets and such other records that will permit reconstruction of their performance award budgets.
13. New **subsection 430-5-80E** adds a requirement that each OPDIV must reserve an amount of its performance award fund sufficient to accommodate additional sums required because of grievance decisions or error corrections.
14. Consistent with the delegation of September 6 of certain performance award authorities to OPDIV heads, new **subsection 430-5-80F** adds a requirement that OPDIVs, as well as the Program Assessment Staff, ASPER, will now periodically monitor the funding and allocation of performance awards to ensure that legal and regulatory requirements are met.
15. New **section 430-5-90**, Exceptions to Policies, has been added. This section requires that ASPER (and OPM when appropriate) must approve any exceptions to the policies in HHS Instruction 430-5.
16. Minor changes (mainly of editorial preference, e.g., punctuation) have been made throughout the Instruction.

**Subject: EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM --  
PERFORMANCE AWARDS**

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Exhibit 430-5-A, Delegation of Authorities for Performance Awards Under the Employee Performance Management System

**430-5-00 PURPOSE**

This Instruction establishes the policies, requirements, and procedures relating to performance awards for employees within the Department's Employee Performance Management System (EPMS). The Instruction supplements, and incorporates by reference, 5 CFR Part 430, Subpart E.

**430-5-10 OBJECTIVE**

The objective of performance awards is to motivate employees by recognizing and rewarding quality performance by varying amounts of performance awards. .

**430-5-20 AUTHORITY/REFERENCES**

The policies and requirements covered in this Instruction are in keeping with those in:

- A. 5 U.S.C. Chapter 43 (performance appraisal)
- B. 5 CFR Parts 293, 430, 451, 530, 531, 536, 595, and 771 (related regulations)

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Responsible office: Division of Compensation and Performance  
Management, Office of the Assistant  
Secretary for Personnel Administration,  
HHS (FTS 475-0142)

- C. HHS Instruction 430-4 (EPMS)
- D. HHS Instruction 451-1 (incentive awards)

**430-5-30 COVERAGE**

This Instruction applies to all employees covered by the Department's EPMS, as specified in HHS Instruction 430-4.

**430-5-40 DEFINITIONS**

- A. Performance award means a performance-based, lump-sum cash payment to an individual EPMS employee based on the employee's rating of record. A performance award does not increase base pay.
- B. Performance award budget means the amount of money allocated by the Department (or organizational component) for distribution as performance awards to covered employees.
- C. Rating of record means the summary rating required at the time specified in Instruction 430-4 or at such other times as it specifies for special circumstances.
- D. Summary rating means the written record of the appraisal of each critical and noncritical element and the assignment of a summary rating level. Not all summary ratings are ratings of record, but all ratings of record are summary ratings.

**430-5-50 PERFORMANCE RECOGNITION**

- A. Since ratings of record are the basis for making award determinations, it is incumbent on all Department managers and supervisors to assure that local implementation of the EPMS is fully accomplished as specified in Instruction 430-4.
- B. Servicing personnel offices must ensure that their merit promotion plans give due weight to performance awards for rating and ranking employees for promotion.

**430-5-60 PERFORMANCE AWARD PROGRAM MANAGEMENT**

- A. The delegation of authorities pertaining to performance awards is included as Exhibit 430-5-A. The Office of the Secretary is considered an Operating Division (OPDIV) for the purposes of this Instruction.
- B. Performance awards are to be paid annually as soon after the end of the appraisal year as possible.
- C. Each OPDIV must organizationally group its covered employees to insure complete coverage and facilitate making award determinations and approving awards payment.
- D. Each OPDIV must establish a mechanism for the equitable distribution of its total performance award budget among its components (see section 430-5-80). An EPMS performance award budget manager must be designated to manage each EPMS performance award budget within the OPDIV. An EPMS performance award budget manager may not be a member of the group whose budget he or she manages. (Whenever a performance award under this Instruction is proposed, the EPMS performance award budget manager must give final approval to the employee's rating of record. See paragraph 430-4-80A.11.)
- E. Each OPDIV must establish administrative procedures to ensure that an employee does not receive more than one form of cash recognition for the same performance or contribution.
- F. OPDIVs must provide Regional Personnel Offices with copies of their implementation plans for performance awards.
- G. OPDIVs must provide orientation and training for supervisors and employees on the operation of their performance award systems.

**430-5-70 PERFORMANCE AWARD REQUIREMENTS**

- A. Performance awards must be based on ratings of record of Fully Successful or higher for the appraisal year for which performance awards are being paid. An employee may not be given more than one performance award for the same appraisal year.
- B. To be eligible to receive a performance award, an employee must be in an EPMS position on the last workday of the appraisal year for which award decisions are being made.
- C. An employee who has not received a rating of record is not eligible for a performance award but may be considered for a special act or service award.

- D. An employee who has received a quality step increase (QSI) may not be granted a performance award based on the same rating of record for which the QSI was granted (Instruction 531-5, Quality Step Increases, prohibits employees from receiving a QSI and a performance award based on the same rating of record) .
- E. Tentative performance award determinations will be made for all employees in a component. These determinations must be reviewed and approved by the appropriate EPMS performance award budget manager.
- F. In reviewing and approving performance award determinations, the following apply:
  - 1. The total amount of awards must fall within the specified OPDIV budget range (see section 430-5-80).
  - 2. The minimum performance award is \$100, and the maximum is \$25,000. A performance award that exceeds \$5,000 must have approval of the OPDIV head (or the Public Health Service agency head when the Assistant Secretary for Health has so delegated). Performance awards in excess of \$10,000 up to \$25,000 must be approved by both the Secretary and the U.S. Office of Personnel Management (OPM) . Requests for approval of those awards (from over \$10,000 to \$25,000) must be submitted to the Secretary through the Assistant Secretary for Personnel Administration, along with a detailed written recommendation and justification for the award.
  - 3. An employee with a rating of Level 5 (Outstanding) should receive a performance award of at least 2 percent of base pay.
  - 4. An employee with a rating of Level 4 (Excellent) should receive a performance award. Among the employees included under the same performance award budget, any award granted to an employee rated at Level 4 must be less than any award received by an employee rated at Level 5.
  - 5. An employee with a rating of Level 3 (Fully Successful) may receive a performance award. Among the employees included under the same performance award budget, any award granted to an employee rated at Level 3 must be less than any award received by an employee rated at Level 4.
  - 6. In applying the requirements in 4 and 5 above that awards be less for employees rated at lower levels, the amount of an award granted (a) to an employee promoted during the appraisal year for which the award is being

granted or (b) to a less-than-full-time employee may be disregarded. Such employees may receive lesser performance awards (or none), if deemed appropriate, than other employees who received performance awards at lower rating levels.

7. In applying the requirements of 4 and 5 above that awards be less for employees rated at lower levels, OPDIVs may allow components with EPMS performance award budgets either to compare award amounts as a percentage of base pay or to establish scales of fixed dollar amounts or dollar ranges. The method chosen may be applied to whole rating levels or by grade within rating levels. Whatever method(s) is used, OPDIVs must still assure that all requirements, including percentage limits, specified in this Instruction and 5 CFR Part 430, Subpart E, are satisfied.
  8. If performance awards within a component (with an EPMS performance award budget) are calculated using a percentage of base pay, then individual performance award calculations within that component are to be based on the employee's rate of base pay on the last day of the appraisal year for which the awards are being paid. However, in the case of less-than-full-time employees, calculations should be based on salary actually paid during the appraisal period.
  9. Employees should not receive performance awards if their ratings are lower than those of others under the same award budget who are not being given a performance award or a QSI (but see 6 above for some exceptions) .
- G. Award amounts granted to employees included under the same performance award budget who are rated at the same level may vary. In determining individual award amounts, approving officials may consider such things as:
1. Whether the employee receives the maximum pay rate for his or her grade, in which case no within-grade increase (WIGI) or QSI could be received
  2. The value of the employee's performance contribution to the organization
  3. The relative difficulty encountered and overcome in accomplishing tasks under the performance plan and the personal effort extended
  4. The increase in base pay resulting from a promotion or WIGI in the preceding year (i.e., in the appraisal year for which the award is being granted)

- H. Performance awards must be documented in the Official Personnel Folder (OPF) ; and the documentation must include the nature of the award, as well as the amount. The SF-50 must be used for this purpose. The HHS Form 171 or an equivalent approved form may be maintained in the OPF or in a separate file.

**430-5-80 PERFORMANCE AWARD FUNDING**

- A. Each OPDIV will determine its performance award budget for payment of EPMS performance awards for each fiscal year. The Departments performance award budget will be the aggregate of the OPDIVs' performance award budgets.
- B. The total amount of an OPDIV's award budget may not exceed 1.5 percent of the estimated aggregate amount of EPMS employees' base pay for that appraisal year.
- C. In determining the estimated aggregate amount of EPMS employees' basic pay, OPDIVs must consider the number of EPMS employees during the previous year; the aggregate of base pay for those employees (adjusted as appropriate to reflect lesser amounts paid to less-than-full-time employees) ; and the amount of general increases, within-grade increases, and quality step increases estimated to be paid during the year. In addition, they must consider any anticipated major changes in the number of employees during the year.
- D. Each OPDIV shall maintain appropriate records with respect to the operation of its performance award budgets, including the amount of its yearly performance award budget and such other records that will permit reconstruction of its award allocations.
- E. Each OPDIV must reserve an amount of its performance award fund sufficient to accommodate additional sums required because of grievance decisions or error corrections.
- F. Each OPDIV, as well as the Program Assessment Staff of the Office of the Assistant Secretary for Personnel Administration (ASPER), will periodically monitor the funding and allocation of performance awards to ensure that legal and regulatory requirements are met.
- G. Funds for incentive awards covered by HHS Instruction 451-1 are not included in the performance award budget. Incentive awards are to be considered separate and distinct from performance awards.

**430-5-90    EXCEPTIONS TO POLICIES**

The ASPER (and the U.S. Office of Personnel Management when appropriate) must approve any exceptions to the policies in this Instruction.

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Office of the Secretary

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**Memorandum**

Date: September 6, 1990

From: Assistant Secretary for  
Personnel Administration

Subject: Delegation of Authorities for Performance Awards Under the  
Employee Performance Management System

To: Heads of Operating Divisions  
Assistant Secretary for Management and Budget

1. Under the authority vested in the Assistant Secretary for Personnel Administration (ASPER) by memorandum from the Secretary dated January 24, 1983, I hereby delegate to Heads of Operating Divisions (OPDIVs), including the Assistant Secretary for Management and Budget (ASMB) for employees of the Office of the Secretary at headquarters and in the regions, the authority to establish and maintain an effective Performance and Award Program under the Employee Performance Management System (EPMS). This includes the authority to:
  - a. Designate officials (EPMS performance award budget managers) to manage each EPMS performance award budget within the OPDIV
  - b. Approve the annual EPMS performance award budget for the OPDIV
  - c. Approve the amount of each EPMS performance award budget within the OPDIV, including the authorities to (1) redistribute funds between budgets as needed and (2) determine whether awards in each budget will be made as a percentage of pay or as dollar amounts
  - d. Approve the establishment of new EPMS performance award budget groups, the modification of existing EPMS performance award budget groups, and the abolishment of EPMS performance award budget groups
  - e. Approve EPMS performance awards in excess of \$5,000 but not to exceed \$10,000